

July 7, 2010

Rhody Health Partners Data Book

State of Rhode Island

10-Month Rates for the period 9/1/2010 through 6/30/2011

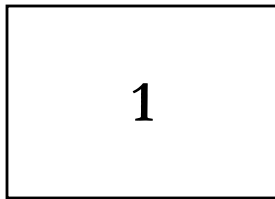
**WITH ARTICLE 20
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Contents

1. Introduction.....	3
2. Capitation Rates	4
3. Rate Development Methodology	5
4. Appendices.....	18



INTRODUCTION

The Rhode Island Department of Human Services (DHS) requested that HealthCare Analytics calculate actuarially sound rates for the purposes of contracting with health plans to provide health care benefits to certain and specific segments of the Aged, Blind and Disabled Adult population through a program called Rhody Health Partners.

This document presents the approach and calculation of the Rhody Health Partners per member per month (PMPM) capitation rates effective for the Rate Period September 1, 2010 through June 30, 2011, for the purpose of attaining rate approval from CMS under 42 CFR 438.6(c), and which were made consistent with the guidance provided in the Centers for Medicare and Medicaid Services (CMS) Rate Checklist.

The rates were developed from existing claims data for the target populations, which were adjusted, smoothed and trended to the rate period. Adjustments were made to account for off-line expenses not reflected in the claims data, as reconciled between DHS and the health plans, as well as programmatic changes that will impact future claims. Such programmatic changes include the Generics Drugs First program initiative, coverage for smoking cessation, and an enacted legislative initiative referred to as ‘Article 20’ in this document. The claims were trended forward to the rate period using the indicated trends in the claims experience, tempered by observations in the data and general trends in the marketplace for Medicaid managed care. Finally, administrative and premium tax loads were included, as applicable, to develop actuarially sound capitation rates.

We relied on data and analysis produced by DHS and its subcontractors for the Rhody Health Partners claims experience (encounter data), data related to programmatic changes such as listed above and the following program initiatives and changes to develop the projected Rhody Health Partners rates presented in this data book:

- Communities of Care
- Selective Contracting
- Pharmacy Lock-in
- Impact of Drug Rebate Equalization (DRE) on standard plan pharmacy rebates
- Fraud & Abuse

The Rhody Health Partners capitation rates were developed in consultation with the actuarial firm of Donlon & Associates, Inc., who also provided the certification letter required by CMS.

2

CAPITATION RATES AND DEMOGRAPHICS

The capitation rates including administrative and premium tax loads for the rate period 9/1/2010 – 6/30/2011 are as follows:

Table 1
Capitation Rates

Rhody Health Partners		
9/1/2010 - 6/30/2011		
Capitation Rates		
RHP Population Cohort	January 2010 Enrollment	PMPM Capitation Rates With Article 20
MR Waiver	732	\$ 797.62
SPMI	1,400	\$ 1,380.89
Other Disabled 21-44	3,857	\$ 950.39
Other Disabled 45+	6,428	\$ 1,302.17

3

RATE DEVELOPMENT METHODOLOGY

Claims & Enrollment Data

Claims and enrollment data was provided by DHS and its subcontractors on behalf of the State which we used to develop the capitation rates exhibited in the above table. The data and analysis was based on encounter and fee-for-service experience and included the following:

Eligibility, claims expense, cost and utilization for:

- MR Waiver
- SPMI
- Other Disabled 21-44 years of age
- Other Disabled 45 years and older

The stated parameters of the data included:

- In-Plan Services Only
- Aged, Blind and Disabled Adults
- Not Medically Needy
- Not Enrolled in any other program
- No Third Party Liability
- Not Dually Eligible
- Less than 30 consecutive days in a nursing home facility/Not institutionalized

The claims data was delineated by type of service detail, and was for the periods July 1 through June 30 for the State Fiscal Years (SFY) ending in 2005, 2006, 2007, 2008 and 2009. The claims were presented on an incurred basis, paid through September 2009, estimated 100% complete.

The membership history was reported and analyzed for the same periods and same target populations (see table 2). We relied upon the accuracy of the data provided by DHS and its subcontractors for our analysis and capitation rate development.

Table 2
Average Eligible Members

Rhody Health Partners						
9/1/2010 - 6/30/2011						
Average Eligible Members						
Program Population	7/04 - 6/05	7/05 - 6/06	7/06 - 6/07	7/07 - 6/08	7/08 - 6/09	Jan-10
MR Waiver	614	643	682	722	738	732
SPMI	1,942	2,071	2,189	2,248	1,935	1,400
Other Disabled 21-44	4,985	4,908	4,628	4,226	4,128	3,857
Other Disabled 45+	7,025	7,208	7,301	7,012	6,672	6,428
Total	14,566	14,830	14,800	14,208	13,474	12,417
Eligible members represent "Target" population and include Connect Care Choice (eff. 9/1/07), Rhody Health Partners (eff. 4/1/08) Except Jan-10, which represent actual enrolled (Dec '09 payments for Jan '10)						

Trends

Separate trend factors were developed for Medical and Pharmacy, for each target population, reflecting in part the underlying trends within that population's historical experience. For Other Disabled 21-44 and Other Disabled 45+, the experience of these two populations were combined for the purpose of calculating combined trend factors for Medical and Pharmacy which were used for each of the two "Other Disabled" target populations. The selected Medical trend for the combined "Other Disabled" was a blended trend of the 2-year average for SFY '08 over SFY '06 and SFY '09 over SFY '07 at 50% and 50% credibility weights, respectively. The selected Pharmacy trend for the combined "Other Disabled" was a blended trend of the 2-year average for SFY '08 over SFY '06 and SFY '09 over SFY '07 at 50% and 50% credibility weights, respectively.

For MR Waiver and SPMI, due to their small size and volatility, credibility-weighted average trends were developed utilizing their respective trends blended with the combined Other Disabled trend. In order to smooth out the year-to-year wide variations in trends for MR Waiver, its 3-year average Medical trend for the period SFY '09 over SFY '06 was blended with the selected Medical trend for the combined Other Disabled at 50% and 50% credibility weights, respectively. Similarly for SPMI, in order to smooth out the year-to-year wide variations, its 3-year average Medical trend for the period SFY '09 over SFY '06 was blended with the selected Medical trend for the combined Other Disabled at 50% and 50% credibility weights, respectively. For both MR Waiver and SPMI, a 5% trend was selected for Pharmacy (see table 3).

Table 3
Trend Selection

Rhody Health Partners									
9/1/2010 - 6/30/2011									
FFS & Encounter Claims Experience PMPM & Trends									
Incurred State Fiscal Year (SFY), Paid through September 2009, estimated 100%									

Table 4
Base Period PMPMs

Rhody Health Partners									
9/1/2010 - 6/30/2011									
FFS & Encounter Claims Experience PMPM & Trends									
Incurred State Fiscal Year (SFY), Paid through September 2009, estimated 100%									

Table 5
Managed Care Savings

Rhody Health Partners 9/1/2010 - 6/30/2011									
Experience Period 7/1/08 - 6/30/09									
	MR Waiver		SPMI			Other Disabled 21-44		Other Disabled 45+	
Average Members	738		1,935			4,128		6,672	
Total PMPM (including Rx rebates)	\$ 711.40		\$ 1,340.23			\$ 808.55		\$ 1,129.29	
Care component affected by managed care initiatives:									
Inpatient - General	\$ 77.86		\$ 104.25			\$ 132.63		\$ 229.66	
Inpatient - Specialty	\$ 70.92		\$ 63.85			\$ 87.11		\$ 123.36	
Inpatient - Behavioral	\$ 46.95		\$ 356.56			\$ 61.83		\$ 56.98	
Outpatient ER - Facility	\$ 29.67		\$ 105.72			\$ 80.44		\$ 68.33	
Outpatient ER - Professional	\$ 3.49		\$ 12.42			\$ 9.05		\$ 8.10	
Procedures - Outpatient	\$ 17.89		\$ 32.63			\$ 54.77		\$ 106.88	
Procedures - Professional	\$ 6.30		\$ 16.34			\$ 25.53		\$ 38.55	
Lab/Rad - Outpatient	\$ 13.85		\$ 32.61			\$ 36.92		\$ 54.53	
Professional PCP	\$ 8.19		\$ 16.80			\$ 17.57		\$ 23.09	
Professional Specialty	\$ 16.01		\$ 32.00			\$ 23.96		\$ 38.25	
Behavioral Health (BH) - Outpatient	\$ 0.05		\$ 3.38			\$ 2.89		\$ 2.45	
Behavioral Health (BH) - Professional	\$ 12.11		\$ 55.23			\$ 21.89		\$ 16.10	
Nursing Home	\$ -		\$ 2.53			\$ 1.19		\$ 4.81	
Other Professional	\$ 103.28		\$ 37.21			\$ 29.38		\$ 43.65	
Pharmacy (including Rebates)	\$ 273.70		\$ 430.82			\$ 168.40		\$ 251.08	
Total of care components affected by managed care initiatives	\$ 680.27		\$ 1,302.32			\$ 753.58		\$ 1,065.82	
Total of care components NOT affected by managed care initiatives	\$ 31.13		\$ 37.91			\$ 54.97		\$ 63.47	
Total Medical and Rx PMPM (including Rx rebates)	\$ 711.40		\$ 1,340.23			\$ 808.55		\$ 1,129.29	
Managed Care Savings : Adjustment Factors ¹									
Inpatient - General	0.93		0.83			0.93		0.93	
Inpatient - Specialty	0.98		0.98			0.98		0.98	
Inpatient - Behavioral	0.83		0.83			0.83		0.83	
Outpatient ER - Facility	0.83		0.53			0.78		0.78	
Outpatient ER - Professional	0.83		0.53			0.78		0.78	
Procedures - Outpatient	0.98		0.98			0.98		0.98	
Procedures - Professional	0.98		0.98			0.98		0.98	
Lab/Rad - Outpatient	0.88		0.88			0.88		0.88	
Professional PCP	1.13		1.13			1.13		1.13	
Professional Specialty	0.98		0.98			0.98		0.98	
Behavioral Health (BH) - Outpatient	0.88		0.93			0.88		0.88	
Behavioral Health (BH) - Professional	0.88		0.98			0.88		0.88	
Nursing Home	0.93		0.93			0.93		0.93	
Other Professional	0.93		0.93			0.93		0.93	
Pharmacy	0.90		0.90			0.90		0.90	
Medical Managed Care Savings	\$ 30.58	7.0%	\$ 142.61	15.7%		\$ 50.57	7.9%	\$ 57.88	6.6%
Pharmacy Managed Care Savings	27.37	10.0%	43.08	10.0%		16.84	10.0%	25.11	10.0%
Total Managed Care Savings	57.95	8.1%	185.69	13.9%		67.41	8.3%	82.99	7.3%
Adjustment for populations already in Managed Care ²	0.93		0.81			0.61		0.62	
Medical Managed Care Savings	\$ 28.34	6.5%	\$ 115.83	12.7%		\$ 31.00	4.8%	\$ 36.10	4.1%
Pharmacy Managed Care Savings	\$ 25.37	9.3%	\$ 34.99	8.1%		\$ 10.32	6.1%	\$ 15.66	6.2%
Total Managed Care Savings	\$ 53.71	7.5%	\$ 150.83	11.3%		\$ 41.33	5.1%	\$ 51.76	4.6%

¹ Managed care savings adjustment factors developed by Donlon & Associates, Inc.

² Adjustment to reduce the Managed Care Savings assumption to account for currently enrolled members in the base period which presumably already reflect some portion of the managed care savings in their experience (estimated at 50%). Thus, the managed care savings assumptions apply fully to the "not enrolled" target populations and partially to the currently "enrolled" populations

Article 20 of the FY 2011 Appropriations Act – We relied on the analysis performed by DHS and its subcontractors to model out the impact of Article 20 to inpatient and outpatient projected claims expense as exhibited in the tables below. The language related to inpatient and outpatient is excerpted here for reference:

[illegible]

The DHS analysis re-priced SFY 2009 managed care and fee-for-service Medicaid claims data projected to SFY 2011 per the provisions of Article 20, at a health plan and product-line level, the results of which were used in our estimates for the impact of Article 20.

Table 6
Impact of Article 20

Rhody Health Partners				
9/1/2010 - 6/30/2011				
Impact of Article 20				
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Inpatient - Mgd. Care & FFS Combined				
Percent Savings to Total Rhody Health Partners Medical	-3.6%	-4.7%	-3.9%	-3.7%
Forecasted PMPM for Rate Period	\$ 510.74	\$ 1,009.93	\$ 770.58	\$ 1,042.07
Estimated Inpatient Savings PMPM on Forecasted PMPM	\$ (18.15)	\$ (47.66)	\$ (29.71)	\$ (39.05)
Outpatient - Mgd. Care Only ¹				
Percent Savings to Total Rhody Health Partners Medical	-0.39%	-0.46%	-0.66%	-0.64%
Forecasted PMPM for Rate Period	\$ 510.74	\$ 1,009.93	\$ 770.58	\$ 1,042.07
Estimated Inpatient Savings PMPM on Forecasted PMPM	\$ (1.97)	\$ (4.63)	\$ (5.05)	\$ (6.63)
¹ Outpatient savings is limited to the managed care "enrolled" population since FFS was used as a proxy for the impact of Article 20 on outpatient				

Selective Contracting – As described by DHS, “MCO's shall implement measures to move selective out-patient procedures currently performed in an institutional setting to a community based setting in an effort to provide services closer to where members live and work in order to take advantage of lower pricing structures typically available in community settings. These out-patient services may include: X-ray and laboratory services, Ear-Nose-Throat (ENT) and out-patient surgeries”. We relied on analysis performed by DHS and its subcontractors to estimate savings to outpatient claims expense as result of the implementation of Selective Contracting Initiative effective 9/1/2010. For the 1st-year savings estimate, the DHS analysis assumed a 15% shift of X-Ray, Lab and Test services from hospital outpatient setting to a community-based (Independent Lab and Office) setting.

Table 7
Selective Contracting

Rhody Health Partners				
9/1/2010 - 6/30/2011				
Selective Contracting				
	With Article 20			
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Percent Savings from Selective Contracting to Total Rhody Health Partners	-0.13%	-0.17%	-0.35%	-0.33%
Forecasted Medical PMPM Rhody Health Partners for Rate Period (incl. Article 20)	\$ 490.62	\$ 957.64	\$ 735.82	\$ 996.39
Estimated Selective Contracting Savings PMPM on Forecasted PMPM	\$ (0.64)	\$ (1.61)	\$ (2.58)	\$ (3.24)

Smoking Cessation – Rhody Health Partners will include coverage for generic smoking cessation drugs. We estimated the cost for this additional coverage by looking at the experience under the RItE Care program, for ages 15 and up, to approximate the demographics under Rhody Health Partners. As well, we added a risk factor of 2.0 to accommodate the as yet unknown risk factor of this population.

Rhody Health Partners					
9/1/2010 - 6/30/2011					
<i>Smoking Cessation</i>					
Smoking Cessation prescription experience on Rite Care	PMPM				
15-44 Age Group	\$ 0.22				
45+ Age Group	\$ 0.34				
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+	
Rhody Health Partners Enrollment at 1/1/2010					
21-44 Age Group	326	1,142	3,857	-	
<u>45+ Age Group</u>	<u>406</u>	<u>258</u>	<u>-</u>	<u>6,428</u>	
Total	732	1,400	3,857	6,428	
Average Rhody Health Partners PMPM based on Rite Care experience	\$ 0.29	\$ 0.25	\$ 0.22	\$ 0.34	
Risk Factor to account for unknown risk for this population	2.0	2.0	2.0	2.0	
Risk-Adjusted Rhody Health Partners Smoking Cessation Rx PMPM	\$ 0.57	\$ 0.49	\$ 0.45	\$ 0.67	

Pharmacy Lock-In – DHS describes the Pharmacy Lock-In program as follows: *“The Code of Federal Regulations at 42CFR440.230(d) allows DHS to place appropriate limits on a medical service based on such criteria as medical necessity or on utilization control procedures. The Medical Assistance Pharmacy Lock-In Program has been established by the DHS to restrict recipients whose utilization of Medical Services is documented as being excessive. Recipients are “Locked-In” to specific providers in order to monitor services received and reduce unnecessary or inappropriate utilization. This program is intended to prevent Medical Assistance recipients from obtaining excessive quantities of prescribed drugs through multiple visits to physicians and pharmacies”*. We relied on analysis performed by DHS and its subcontractors to estimate the net savings from the Pharmacy Lock-In program effective 9/1/2010.

Table 9

Pharmacy Lock-In

Rhody Health Partners				
9/1/2010 - 6/30/2011				
Pharmacy Lock-In				
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Percent Savings from Rx Lock-In to Total Rhody Health Partners Rx	-0.05%	-0.24%	-0.45%	-0.38%
Forecasted Rhody Health Partners Rx PMPM for Rate Period	\$ 302.98	\$ 476.92	\$ 193.68	\$ 288.78
Estimated Pharmacy Lock-In Savings PMPM on Forecasted PMPM	\$ (0.14)	\$ (1.14)	\$ (0.88)	\$ (1.09)

Generic Drugs First – The Generic Drugs First program initiative savings were calculated by DHS from SFY 2009 experience, the results of which we applied to the projected pharmacy claims. As well, to allow for expenses associated with medically necessary exemptions the savings estimates were tempered with a 75% reduction.

Table 10

Generic Drugs First Adjustment:

Rhody Health Partners				
9/1/2010 - 6/30/2011				
Generic Drugs First				
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
<u>Rhody Health Partners Rx Experience for SFY 2009</u>				
Non-Exempt Brand cost/scrip	\$ 198.32	\$ 170.17	\$ 207.68	\$ 171.56
Non-Exempt Generic cost/scrip	\$ 36.65	\$ 31.96	\$ 25.67	\$ 20.74
Percent Savings from Generic	-82%	-81%	-88%	-88%
Percent Non-Exempt Brand to Total Non-Exempt	51%	48%	57%	61%
Percent Non-Exempt to Total Rx	66%	42%	47%	55%
Percent Savings to Total Rx	-27.3%	-16.1%	-23.6%	-29.3%
Credibility Adjustment for Startup and Medically Necessary Exemptions	25%	25%	25%	25%
Credibility Adjusted Generic Drugs First Initiative Savings to Rx	-6.8%	-4.0%	-5.9%	-7.3%
Forecasted Rhody Health Partners Rx PMPM for Rate Period	\$ 302.98	\$ 476.92	\$ 193.68	\$ 288.78
Estimated Generic Drugs First Savings PMPM on Forecasted PMPM	\$ (20.64)	\$ (19.22)	\$ (11.41)	\$ (21.13)

Communities of Care – As defined by DHS, “the Communities of Care Initiative shall focus on emergency room users who have four or more emergency department (ED) visits within a year, and consists of three components: (1) intensive enhanced care management to meet complex medical conditions and chronic diseases; and care coordination and mentoring activities that assist members to navigate the care system and provide support to meet non-medical needs

provided by a peer or paraprofessional; (2) incentives and rewards to members to promote personal responsibility, accountability, and good health care practices; and (3) selected high ED use members to be a part of one of two designated provider teams. A Restricted Provider Team (s) shall serve high ED use members who use multiple providers and have prescription narcotic/opiate related claims or who have a demonstrated pattern of inappropriately using medical resources. Members shall select specific providers (i.e. primary care, behavioral health, prescription provider, and pharmacy) to meet their needs. A Select Provider Team shall serve members with complex medical and chronic conditions". We relied on analysis performed by DHS and its subcontractors to estimate savings from the Communities of Care Initiative effective 9/1/2010. The DHS analysis assumed a 1st-year savings of 3% on Communities of Care-related expenses, including inpatient, ED, E&M, behavioral health and Rx, for member with 4+ ED visits during the year, which yielded savings of less than 1.5% to total expenses.

Since Communities of Care will require enhanced care management activities from the health plans, DHS recognizes the additional administrative costs associated with the initiative by allocating an additional administrative expense for the effective implementation of Communities of Care – see the table below.

Table 11
Communities of Care

Rhody Health Partners				
9/1/2010 - 6/30/2011				
Communities of Care				
	With Article 20			
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+
Forecasted PMPM for Rate Period ¹	\$ 777.38	\$ 1,420.98	\$ 920.22	\$ 1,267.43
Percent Communities of Care Savings to Total Rhody Health Partners	-0.46%	-1.15%	-0.84%	-0.64%
Estimated Communities of Care Savings PMPM on Forecasted PMPM	\$ (3.55)	\$ (16.37)	\$ (7.77)	\$ (8.08)
Percent Communities of Care Related Admin to Total Rhody Health Partners	0.28%	0.71%	0.52%	0.39%
Estimated Communities of Care Admin PMPM on Forecasted PMPM	\$ 2.19	\$ 10.08	\$ 4.79	\$ 4.98

¹ Forecasted PMPM used for estimating the impact of Communities of Care includes all program changes and initiatives except Selective Contracting and Fraud & Abuse

Fraud & Abuse – The additional provisions for healthcare compliance as contained in the model contract, and the healthcare compliance programs as mandated by the Healthcare Reform Law of the Patient Protection and Affordable Care Act (PPACA) of 2010 are expected to produce additional savings in the healthcare system. In anticipation, an adjustment was applied to recognize such savings at a moderately low first-year level of 0.5% of claims, as Fraud & Abuse prevention and recovery programs are newly introduced or existing ones better implemented.

Administrative Load & Premium Tax

The administrative load rates were restructured to maintain the current rate proportions within each population cohort, while reflecting a weighted average total that is 3.5% higher than the 4/1/09 – 3/31/10 average. The capitation rates for the rate cells were also loaded for 2% premium tax.

Summary

In Summary, the selected base period PMPMs for each population cohort were trended at their respective selected trends for Medical and Pharmacy, adjusted for the estimated impact of Article 20, the estimated savings from Selective Contracting initiative, the Communities of Care initiative, the anticipated effects of DRE on future rebates, coverage for smoking cessation, the Pharmacy Lock-in initiative, the Generic Drugs First program initiative and the anticipated impact of PPACA's healthcare compliance – Fraud & Abuse mandate. The resultant PMPMs were then loaded for administration and premium tax.

Table 12

Projected & Adjusted Rhody Health Partners Capitation Rate PMPMs

Rhody Health Partners					
9/1/2010 - 6/30/2011					
With Article 20 - As Passed					
10-month Rate					
	MR Waiver	SPMI	Other Disabled 21-44	Other Disabled 45+	
Average Members @ 1/1/2010	732	1,400	3,857	6,428	
Medical PMPM Development					
Base Period Medical PMPM 7/1/08 - 6/30/09	\$ 434.24	\$ 940.08	\$ 628.89	\$ 850.46	
Selected Medical Trend for Projection	8.1%	3.5%	10.2%	10.2%	
<u>Projection Period (years)</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>	
Projected Medical PMPM for 9/1/10-6/30/11	\$ 510.74	\$ 1,009.93	\$ 770.58	\$ 1,042.07	
Adjustments to Medical:					
Article 20 - Inpatient	\$ (18.15)	\$ (47.66)	\$ (29.71)	\$ (39.05)	
Article 20 - Outpatient	\$ (1.97)	\$ (4.63)	\$ (5.05)	\$ (6.63)	
<u>Selective Contracting - X-Ray, Lab & Tests</u>	<u>\$ (0.64)</u>	<u>\$ (1.61)</u>	<u>\$ (2.58)</u>	<u>\$ (3.24)</u>	
Adjusted Projected 9/1/10-6/30/11 Medical PMPM	\$ 489.98	\$ 956.03	\$ 733.25	\$ 993.15	
Rx PMPM Development					
Base Period Pharmacy PMPM 7/1/08 - 6/30/09 (including rebates)	\$ 273.70	\$ 430.82	\$ 168.40	\$ 251.08	
Selected Pharmacy Trend for Projection	5.0%	5.0%	6.9%	6.9%	
<u>Projection Period (years)</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>	<u>2.08</u>	
Projected Net (including rebates) Pharmacy PMPM for 9/1/10-6/30/11	\$ 302.98	\$ 476.92	\$ 193.68	\$ 288.78	
Adjustments to Rx:					
DRE Effect on Rx Rebates	\$ 3.99	\$ 6.29	\$ 2.55	\$ 3.81	
Smoking Cessation Program	\$ 0.57	\$ 0.49	\$ 0.45	\$ 0.67	
Pharmacy Lock-in	\$ (0.14)	\$ (1.14)	\$ (0.88)	\$ (1.09)	
Generic First Program (1sr yr. savings est. @ 25% of total potential)	\$ (20.64)	\$ (19.22)	\$ (11.41)	\$ (21.13)	
Adjusted Projected Net Pharmacy PMPM for 9/1/10-6/30/11	\$ 286.76	\$ 463.34	\$ 184.40	\$ 271.04	
Projected Total PMPM for 9/1/10-6/30/11	\$ 776.74	\$ 1,419.37	\$ 917.64	\$ 1,264.20	
Adjustments to Total PMPM:					
Communities of Care	\$ (3.55)	\$ (16.37)	\$ (7.77)	\$ (8.08)	
Comm. Of Care Admin	\$ 2.19	\$ 10.08	\$ 4.79	\$ 4.98	
Adjusted Total PMPM for 9/1/10-6/30/11	\$ 775.38	\$ 1,413.09	\$ 914.66	\$ 1,261.10	
Estimated Medical Managed Care Savings ¹	6.47%	12.74%	4.84%	4.11%	
Estimated Medical Managed Care Savings PMPM	\$ 31.65	\$ 121.10	\$ 35.39	\$ 40.72	
Estimated Pharmacy Managed Care Savings ¹	2.37%	3.86%	0.01%	0.00%	
Estimated Pharmacy Managed Care Savings PMPM	\$ 7.18	\$ 18.42	\$ 0.03	\$ -	
Estimated Total Managed Care Savings PMPM	\$ 38.83	\$ 139.52	\$ 35.42	\$ 40.72	
Estimated Total Managed Care Savings	5%	10%	4%	3%	
9/1/10-6/30/11 Projected Total PMPM with Managed Care Savings	\$ 736.55	\$ 1,273.57	\$ 879.24	\$ 1,220.38	
<u>Fraud & Abuse Recovery / Prevention</u>	0.5% <u>\$ (3.68)</u>	<u>\$ (6.37)</u>	<u>\$ (4.40)</u>	<u>\$ (6.10)</u>	
Net Adjusted Projected 9/1/10-6/30/11 Medical PMPM	\$ 732.87	\$ 1,267.21	\$ 874.84	\$ 1,214.27	
<u>Admin Expense Allocation</u> ²	\$ 48.80	\$ 86.07	\$ 56.54	\$ 61.86	
Projected Total PMPM with Mgd.Care & Admin	\$ 781.67	\$ 1,353.27	\$ 931.39	\$ 1,276.13	
<u>Premium Tax at 2%</u>	<u>\$ 15.95</u>	<u>\$ 27.62</u>	<u>\$ 19.01</u>	<u>\$ 26.04</u>	
Capitation Rate PMPM including Admin Expense	\$ 797.62	\$ 1,380.89	\$ 950.39	\$ 1,302.17	

¹ Managed Care Savings estimates were adjusted to reflect the "not enrolled" target RHP population, with an assumption that the "enrolled" population's claims data already reflects such savings in the base period experience

² Admin rates were restructured to maintain the current rate proportions within each population cohort, while reflecting a weighted average total that is 3.5% higher than the current average

Actuarial Certification

Certification of the Rhody Health Partners capitation rates for the rate period 9/1/2010 – 6/30/2011 is provided under a separate cover by the actuarial firm of Donlon & Associates, Inc., in support of this data book.

APPENDIX